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SUMMARY RECORD OF THE 33rd MEETING

Chairman: Mr. VILCHEZ ASHER (Nicaragua)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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The meeting was called to order at 3.15 p.m.

AGENDA ITEM 128: FINANCING OF THE UNITED NATIONS PROTECTION FORCE, THE UNITED NATIONS CONFIDENCE RESTORATION OPERATION IN CROATIA, THE UNITED NATIONS PREVENTIVE DEPLOYMENT FORCE AND THE UNITED NATIONS PEACE FORCES HEADQUARTERS (A/50/696/Add.1; S/1995/987)

1. Mr. TAKASU (Controller) said that in its resolutions 981 (1995), 982 (1995) and 983 (1995) of 30 March 1995, the Security Council had decided to establish three separate, but interlinked, peace-keeping missions in the former Yugoslavia: the United Nations Confidence Restoration Operation in Croatia (UNCRO); the United Nations Protection Force (UNPROFOR) in Bosnia and Herzegovina; and the United Nations Preventive Deployment Force (UNPREDEP) in The former Yugoslav Republic of Macedonia. A theatre headquarters, known as United Nations Peace Forces headquarters (UNPF-HQ), had been retained in Zagreb. The mandate of those missions was due to expire on 30 November 1995.

2. A number of significant developments had taken place just previously. A basic agreement on the region of Eastern Slavonia, Baranja, and Western Sirmium had been signed on 12 November 1995 to provide for the peaceful integration into Croatia of the region known as Sector East. Also, a general framework agreement had been initialled by the Presidents of Bosnia and Herzegovina, Croatia and Serbia on 21 November 1995 in Dayton, Ohio, to provide a basis for the re-establishment of stability in the former Yugoslavia.

3. In his report of 23 November 1995 (S/1995/987), the Secretary-General had therefore recommended that the mandate of UNCRO should be continued for a limited period, during which UNCRO would, to the extent possible, perform its current tasks until the transitional administration was established and an international force deployed to carry out the tasks envisaged in the basic agreement. He had further recommended that the current mandate of UNPROFOR should be extended for two months, or until an appropriate transfer of authority had been executed between UNPROFOR and the new Implementation Force (IFOR), subject to authorization by the Security Council, whichever was sooner. For its part, the mandate of UNPREDEP should be renewed for a further 12-month period irrespective of developments elsewhere in the theatre. He was currently not in a position to recommend definitive changes in the structure of the United Nations presence in the former Yugoslavia, or for the future of the United Nations Peace Forces headquarters in Zagreb, and would revert to the Council with appropriate recommendations once the situation became sufficiently clear.

4. The Secretary-General had submitted to the General Assembly a report containing the revised cost estimates for the period from 1 July to 31 December 1995 in respect of the combined operations (A/50/696/Add.1). Pending consideration of the report, the Secretary-General was requesting for the period after 30 November 1995 provision by commitment authorization at a monthly rate of $115,373,000 gross ($113,866,300 net) and the assessment of that amount to be offset by the unencumbered balance for the period ending 30 November 1995.

AGENDA ITEM 133: FINANCING OF THE UNITED NATIONS MISSION IN HAITI (continued)
(A/50/363 and Corr.1 and A/50/488)

5. Mr. TAKASU (Controller) recalled that, in its resolution 1007 (1995), the Security Council had extended the mandate of the United Nations Mission in Haiti (UNMIH) for a period of seven months, until February 1996, in order to achieve the objectives established in Council resolution 940 (1994). The report of the Secretary-General on the financing of UNMIH (A/50/363) contained the financial performance report of the Mission for the period from 1 August 1994 to 31 January 1995, the budget for the seven-month period from 1 August 1995 to 29 February 1996 and the monthly costs thereafter for the maintenance of the Mission. Given that the current commitment authority was due to expire on 30 November 1995, urgent action by the General Assembly was required.

6. Mr. LACLAUSTRA (Spain), speaking on behalf of the European Union and supported by Mr. BRISEID (Norway) and Mr. TOYA (Japan), said that the representative of the United States had declared before the Committee that his Government would not be able to pay more than 25 per cent of the cost of the financing of UNMIH or any other peace-keeping operation because national legislation prohibited it from doing so. The United States delegation nevertheless intended to join in the consensus for approving the draft resolutions for the financing of such operations.

7. In signing the Charter, Member States had assumed certain obligations which they must fulfil. In that connection, he wished to recall the principle of pacta sunt servanda, a fundamental rule of international law which stated that agreements must be observed. The European Union fully endorsed the opinion expressed by the Legal Counsel in the informal meetings held to discuss agenda item 133 that, as provided by Article 17 of the Charter, the expenses of the Organization were to be borne by the Members as apportioned by the General Assembly. Consequently, once the General Assembly had approved the budget for the UNMIH operation, Member States were obliged to bear the expenses of that operation as apportioned by the General Assembly. As matters currently stood, the General Assembly had determined that the portion of expenses to be borne by the United States for operations such as UNMIH was slightly more than 31 per cent. Unless the General Assembly took action to reduce that percentage, the United States Government was legally obligated under Article 17 of the Charter to pay at the existing rate determined by the General Assembly.

8. The European Union requested that the Legal Counsel should restate the opinion in a formal meeting so that his statement could be reflected in the summary records. It considered that the main cause of the serious financial situation of the United Nations, which required a global and balanced solution, was the fact that certain Member States lacked the political will to discharge the binding financial obligations which they had assumed upon subscribing to the Charter. Unilateral decisions adopted by Member States that were inconsistent with their financial obligations to the Organization were therefore not acceptable. In addition, by approving General Assembly resolutions on the financing of peace-keeping operations, Member States were committing themselves to fulfil their financial obligations in the amount established in the resolutions in question. Where a Member State failed to fully meet its financial obligations, its arrears would continue to grow and would eventually

exceed the limit established by Article 19 of the Charter. The European Union therefore called upon all Member States to pay their arrears and to meet their financial obligations to the Organization in full, on time and without conditions.

9. Mr. KUZNETSOV (Russian Federation) drew attention to the observation of the Advisory Committee contained in paragraph 7 of its report on the financing of UNMIH (A/50/488) that the performance report for the period from 1 February to 31 July 1995 had not been included in the report of the Secretary-General. The Advisory Committee had pointed out that its ability to assess the current UNMIH budget was hampered by the fact that the documentation submitted to it had been incomplete. In his delegation's view, those comments were equally applicable to the Fifth Committee's ability to take action on the draft resolution on the subject.

AGENDA ITEM 122: FINANCING OF THE UNITED NATIONS PEACE-KEEPING FORCES IN THE MIDDLE EAST (continued)

(a) UNITED NATIONS DISENGAGEMENT OBSERVER FORCE (continued) (A/C.5/50/L.5)

10. Mr. BLUKIS (Latvia), introducing draft resolution A/C.5/50/L.5 on behalf of the Chairman, said that, under its provisions the General Assembly would decide to appropriate to the Special Account for the United Nations Disengagement Observer Force (UNDOF) the amount of $16,065,498 gross for the operation of the Force for the period from 1 June to 30 November 1995, inclusive. It would authorize the Secretary-General to enter into commitments for UNDOF at a rate not to exceed $2,679,000 gross per month for a period up to seven months from 1 December 1995. The General Assembly would further decide, as an ad hoc arrangement, to apportion that amount among Member States in accordance with the composition of groups set out in paragraphs 3 and 4 of General Assembly resolution 43/232.

11. Mr. MENKVELD (Netherlands) noted certain discrepancies between the draft resolution currently before the Committee and the text originally agreed upon. He hoped that the text adopted by the Committee would conform to the original document.

12. Draft resolution A/C.5/50/L.5 was adopted.

13. Mr. MIRMOHAMMAD (Islamic Republic of Iran) said that, had a vote been taken on the draft resolution, his delegation would have abstained.

AGENDA ITEM 117: IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS (continued) (A/48/460 and Corr.1 and A/48/565 and Corr.1; A/50/484, A/50/502 and A/50/666 and Corr.1 and Add.1 and Add.1/Corr.1 and Add.2; A/C.5/50/4)

14. Mr. TELLO (Mexico) said that the report of the Secretary-General on improving the financial situation of the United Nations (A/50/666) confirmed that the financial difficulties facing the Organization were due to the failure of Member States to pay their assessed contributions in full and on time. To date, only 86 Member States had paid in full their assessed contributions to the regular budget. Factors that were beyond the control of Governments could

explain but not justify delays in the payment of contributions which were the Organization's only means of fulfilling the aims of the Charter and executing the mandates entrusted to it by Member States. In the area of peace-keeping operations, only five Member States had paid their contributions in full. As of 30 September 1995, the arrears of one Member State alone were equal to the Organization's entire annual regular budget.

15. While the United Nations had faced difficult financial situations throughout its history, the expanded scope of its activities, particularly in the area of peace-keeping, had exacerbated the problem in recent years. History had shown what damage could be done to the Organization by the withholding of payments or the lack of political will to fulfil the financial obligations derived from the Charter. Unilateral decisions to set limits on contributions were a violation of Article 17 of the Charter, which provided that the expenses of the Organization should be borne by the Members as apportioned by the General Assembly.

16. His delegation did not share the view that the financial situation of the Organization could be improved through the reapportionment of its expenses. If implemented, such a proposal would merely shift the financial burden from some countries to others without necessarily improving the cash-flow situation of the Organization. Moreover, in the context of the current critical financial situation, it was difficult to justify the proposals being made to forgive arrears or to suspend the application of Article 19 of the Charter without ascertaining the cost of such decisions for each Member State.

17. The Government of Mexico was in favour of a process of reform that would strengthen the Organization's capacity to maintain international peace and security and promote international cooperation. However, the provision of adequate funding was a necessary precondition for any such reform.

18. The Secretary-General had been obliged to borrow funds from the peace-keeping budget and to delay reimbursements to troop-contributing countries. Such delays had a particularly adverse impact on developing countries, some of which paid their assessed contributions from funds received from the Organization by way of troop reimbursements.

19. Despite Mexico's own financial difficulties, his Government had paid in full its assessed contribution to the regular budget. It had also paid 80 per cent of its assessed contribution for peace-keeping operations and hoped to pay off the outstanding balance within a short period. It intended to follow closely the discussions on the convening of a special session of the General Assembly to consider the Organization's financial crisis, as proposed by the Secretary-General.

20. Mr. NTONGA (Cameroon) said that the reports of both the Secretary-General and the High-level Open-ended Working Group on the Financial Situation of the Organization pointed to the extreme precariousness of United Nations financing owing to non-payment of assessed contributions. Some States had chosen not to pay for political reasons, while some had been unable to pay because of their own economic difficulties. Other States felt that their assessments were disproportionately high.

21. In the past, the Secretary-General had dealt with the deficit by borrowing at interest from the international financial institutions - even though such borrowing could jeopardize their neutrality and independence - or by suspending peace-keeping payments and reimbursements, which were now themselves more than a billion dollars in arrears.

22. A way should be found to reimburse debtor States in financial straits for any interest on bank loans. Also, the principle of capacity to pay and the other criteria used in calculating the scale of assessments required further study. Cameroon supported the High-level Working Group's recommendation that scales of assessment should be based on the capacity to pay and that the special circumstances of the economically less developed countries should be taken into consideration (A/49/43, para. 26). Any changes in methodology after the current scale had run its full course, especially those that affected the poorest African countries, should be made cautiously and fairly. All countries should pay their assessments in full, on time and without conditions. Cameroon had recently paid virtually all its arrears, despite the hardship such payment represented.

23. Ms. RODRIGUEZ ABASCAL (Cuba), endorsing the statements made on behalf of the Group of 77 and the Non-Aligned Movement, said that the reasons why Member States did not pay their assessments should be clearly distinguished. It was not mere rhetorical emphasis to say that the developing countries - regardless of their good will and sense of responsibility - faced a difficult choice between paying their debts to the Organization or attending to their own basic needs. The major contributor, on the other hand, was withholding its payments to achieve its own ends and was seeking to impose its own national legislation on the United Nations. It had used economic blackmail in the past to compel discussion or the adoption of measures of interest to it. The unilateral decision to reduce to 25 per cent its contribution to peace-keeping operations violated not only the Charter but also the principle that the permanent members of the Security Council had a special responsibility to finance such operations. Paradoxically, the presence of the United Nations Headquarters in New York brought extraordinary financial gains to that major contributor.

24. The vertiginous increase in peace-keeping operations in recent years had doomed any real possibility for many of the developing countries to contribute to them fully and on time. The system by which a small group of Security Council members could decide to establish peace-keeping operations, without first dispatching financial feasibility missions, had to be reconsidered.

25. Her delegation would welcome more information on the proposed special session of the United Nations to discuss financial problems, especially in view of the existence of the High-level Open-ended Working Group, which would reconvene early in 1996. The financial situation of the Organization should be discussed within the larger theme of the functioning of the United Nations, including the possible reform of the Security Council, not separately at a special session. Attempts to include proposals not approved by the High-level Open-ended Working Group in certain draft resolutions must be resisted, as they would jeopardize negotiations in that Group.

26. Mr. VALLE (Brazil), endorsing the statement made on behalf of the Group of 77, said that the root cause of the financial crisis that was having such an impact on the Organization's goals and activities was the failure of some Members to meet their obligations in full, promptly and unconditionally, thus creating a cash-flow crisis, whose cause was not to be found in the scale of assessment methodology.

27. His Government, against the backdrop of stern domestic measures to control public expenditures, had succeeded in paying its full contribution to the regular budget as well as the bulk of its contribution to peace-keeping budgets. Other States should do likewise.

28. All Members should strive to maintain a truly multilateral, democratic approach to the issues facing the Organization, including the financing of its activities in a stable and predictable manner, which had become the overriding priority. The accumulation of over $3 billion in outstanding contributions simply could not go on. There was no substitute for payment in full, on time and without conditions. The inability of certain developing countries to meet their financial obligations could not be likened to the deliberate withholding of assessed contributions. Therefore, his delegation could not support the adoption of measures aimed at shifting the financial burden of the Organization to developing countries. It also attached great importance to the principle of the special responsibility of the permanent members of the Security Council for the financing of peace-keeping operations.

29. Mr. MUÑOZ (Spain), speaking on behalf of the European Union, said that he welcomed the decision by the Russian Federation to repay all its arrears to the United Nations over a period of seven years. Such a decision demonstrated a real commitment to fiscal responsibility and, in the view of the European Union, set an example worthy of emulation by other countries faced with similar problems.

30. Mr. AMARI (Tunisia) announced that, having already paid in full Tunisia's assessed contribution to the regular budget, his Government was about to pay two thirds of its share of the peace-keeping budget, and hoped to pay the remaining third early in 1996.

31. Ms. ALMAO (New Zealand) asked whether the Secretariat intended to keep delegations informed regarding the ongoing financial crisis, over and above the monthly status-of-contributions reports.

32. Mr. CONNOR (Under-Secretary-General for Administration and Management) said that the Secretariat intended, of course, to convey vital updated information regularly to the Fifth Committee. He drew attention to the latest report of the Secretary-General (A/50/666/Add.2), which had just been made available and which provided information on the financial situation as at 15 November 1995, along with detailed annexes on the status of contributions and cash-flow projections.

33. The Secretary-General's latest report showed that the financial crisis had not abated. Notwithstanding the much appreciated payment of prior and current assessments by a number of Member States, unpaid assessed contributions totalled $2.7 billion as at 15 November. Of that sum, $645.5 million related to the

regular budget and $2,038.1 million to peace-keeping operations. The major contributor owed 64 per cent of the former amount and 42 per cent of the latter, but no payments from that Member State were anticipated by the end of the year. Current cash-flow projections were for a large deficit of some $225 million in the General Fund at the end of 1995. The size of that deficit was unprecedented.

34. The peace-keeping accounts, because of loans made to cover the regular budget deficit, contained a usable cash base for peace-keeping of only $630 million at the end of the year. The requirements for peace-keeping activities for the first quarter of 1996 were estimated at some $600 million, and would have to be met largely from the cash now on hand in the peace-keeping accounts, because a number of missions had accumulated unencumbered balances totalling well over $200 million. Those balances were expected to be credited to Member States, and as a result would reduce the level of new assessments that would be approved and consequently the cash inflows for the next mandate. The United Nations borrowing capacity to cover regular budget activities would thus be severely limited. In addition, amounts owed to Member States for troop costs and contingent-owned equipment were projected to reach over $1 billion.

35. Not only was the size of the deficit at the end of 1995 unprecedented; the extent of the Organization's need to borrow from peace-keeping accounts to cover other mandated activities had also been unprecedented in 1995. In short, the financial situation had deteriorated to the point where immediate solutions were required.

36. Mr. AKAKPO-SATCHIVI (Secretary of the Committee) said that, given the importance of the issue, the consideration of agenda item 117 would not be concluded until September 1996.

The meeting rose at 4.35 p.m.